

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

|                                     |   |            |
|-------------------------------------|---|------------|
| APPLICATION OF THE MORGAN COUNTY    | ) |            |
| WATER DISTRICT FOR A CERTIFICATE OF | ) | CASE NO.   |
| PUBLIC CONVENIENCE AND NECESSITY TO | ) | 2005-00468 |
| CONSTRUCT AN IMPROVEMENTS PROJECT   | ) |            |
| PURSUANT TO KRS 278.020             | ) |            |

ORDER

On November 21, 2005, Morgan County Water District ("Morgan District") applied for a Certificate of Public Convenience and Necessity to construct a proposed water improvements project at an estimated cost of \$1,500,000. This project consists of the installation of approximately 24.5 miles of 6-inch through 4-inch water transmission mains and related appurtenances to provide service to approximately 96 new customers. The proposed project will be funded entirely by coal severance funds in cooperation with the Morgan County Fiscal Court. Morgan District does not propose to issue any evidences of indebtedness or to adjust its rates to finance the proposed project.

In its 2005 annual session, the Kentucky General Assembly enacted legislation that exempts certain water improvement projects of water districts and water associations from the requirement of obtaining a Certificate of Public Convenience and Necessity. The Act provides:

A water district created pursuant to KRS Chapter 74 and a water association created pursuant to KRS Chapter 273 that undertakes a waterline extension or improvement project shall not be required to obtain a certificate of public convenience and necessity pursuant to KRS 278.020(1) if

the water district or water association is a Class A or B utility as defined in the Uniform System of Accounts established by the Public Service Commission, pursuant to KRS 278.220, as the system of accounts prescribed for utilities in Kentucky, and either: (a) The water line extension or improvement project will not cost in excess of \$500,000; or (b) The water district or water association will not, as a result of the water line extension or improvement project, incur obligations requiring Public Service Commission approval pursuant to KRS 278.300. In either case, the water district or water association shall not, as a result of the water line extension or improvement project, increase rates to its customers.

2005 Ky. Acts Chapter 173.<sup>1</sup>

Based upon our review of this Act and Morgan District's application and being otherwise sufficiently advised, the Commission finds that:

1. Morgan District had annual revenues of \$610,881 in calendar year 2004<sup>2</sup> and is therefore a Class B water utility.<sup>3</sup>
2. Morgan District will not, as a result of the proposed improvements project, incur obligations that will require Commission approval pursuant to KRS 278.300.
3. Morgan District will not, as a result of the proposed improvements project, increase its rates for water service to its customers.

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<sup>1</sup> This Act became effective March 23, 2005 and will expire June 30, 2006.

<sup>2</sup> Annual Report of Morgan County Water District to the Public Service Commission of Kentucky for the year ended December 31, 2004 at 27.

<sup>3</sup> The Kentucky Public Service Commission's Uniform System of Accounts defines a Class B water utility as a utility "having annual water operating revenues of \$250,000 or more but less than \$750,000." Uniform System of Accounts for Class A/B Water Districts and Associations at 14 (2002) (found at <http://psc.ky.gov/agencies/psc/forms/usoa/0700ab02.pdf>).

4. The proposed improvements project is exempt from any requirement to obtain a Certificate of Public Convenience and Necessity.

IT IS THEREFORE ORDERED that Morgan District's application is denied as moot.

Done at Frankfort, Kentucky, this 16<sup>th</sup> day of December, 2005.

By the Commission

ATTEST:

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the end, positioned above a solid horizontal line.

Executive Director

Case No. 2005-00468